

**REPORT OF THE AUDIT OF THE  
BULLITT COUNTY  
SHERIFF'S SETTLEMENT - 2005 TAXES**

**April 27, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE 502.573.0050  
FACSIMILE 502.573.0067**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BULLITT COUNTY**  
**SHERIFF'S SETTLEMENT - 2005 TAXES**

**April 27, 2006**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for Bullitt County Sheriff as of April 27, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$34,039,475 for the districts for 2005 taxes, retaining commissions of \$950,509 to operate the Sheriff's office. The Sheriff distributed taxes of \$33,041,901 to the districts for 2005 Taxes. Taxes of \$2 are due to the districts from the Sheriff and refunds of \$49 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits as of November 8, 2005 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured    \$7,504,561



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2005 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	11





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Kenneth Rigdon, Bullitt County Judge/Executive

Honorable Paul Parsley, Bullitt County Sheriff

Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the Bullitt County Sheriff's Settlement - 2005 Taxes as of April 27, 2006. This tax settlement is the responsibility of the Bullitt County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bullitt County Sheriff's taxes charged, credited, and paid as of April 27, 2006, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 22, 2006



BULLITT COUNTY  
PAUL PARSLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES

April 27, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 3,131,065	\$ 5,211,468	\$ 17,574,367	\$ 4,410,425
Tangible Personal Property	226,019	351,264	781,827	504,780
Intangible Personal Property				148,246
Fire Protection	535			
Increases Through Exonerations	572	917	2,754	1,106
Omitted Taxes	323	578	1,815	
Franchise Taxes	243,271	320,702	889,572	
Distilled Spirits Taxes	201,834	311,767	740,059	
Additional Billings	2,135	3,404	11,513	3,919
Limestone, Sand and Mineral Reserves	1,040	1,860	5,837	1,920
Bank Franchises	112,475			
Penalties	15,787	25,362	87,126	22,661
Adjusted to Sheriff's Receipt		2		(3)
Gross Chargeable to Sheriff	<u>3,935,056</u>	<u>6,227,324</u>	<u>20,094,870</u>	<u>5,093,054</u>
<u>Credits</u>				
Exonerations	11,340	18,026	56,091	21,799
Discounts	61,451	97,860	315,826	83,571
Delinquents:				
Real Estate	55,783	87,298	313,104	78,576
Tangible Personal Property	3,158	4,314	10,883	9,002
Intangible Personal Property				4,678
Limestone, Sand, and Gravel	323	578	1,815	455
Franchise Taxes:				
Delinquent	819	939	3,138	
Uncollected	11,019	14,165	44,818	
Total Credits	<u>143,893</u>	<u>223,180</u>	<u>745,675</u>	<u>198,081</u>
Taxes Collected	3,791,163	6,004,144	19,349,195	4,894,973
Less: Commissions *	<u>161,412</u>	<u>155,091</u>	<u>425,682</u>	<u>208,324</u>
Taxes Due	3,629,751	5,849,053	18,923,513	4,686,649
Taxes Paid	3,624,856	5,841,278	18,896,040	4,679,727
Refunds (Current and Prior Year)	<u>4,896</u>	<u>7,821</u>	<u>27,473</u>	<u>6,922</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (1)</u>	<u>\$ (46)</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* and \*\* See Next Page

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY  
PAUL PARSLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES  
April 27, 2006  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on		11,600,755
2.2% on		19,349,195
1.0% on		3,079,525

\*\* Special Taxing Districts:

Library District	\$	2
Plum Creek Water Shed District		<u>(48)</u>

Due District(s) or (Refund(s) Due Sheriff)	\$	<u><u>(46)</u></u>
---	----	--------------------

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT

April 27, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue that are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue that are recognized when there is proper authorization. Taxes paid are uses of revenue that are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 27, 2006  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 27, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 8, 2005, \$7,504,561 of public funds were exposed to custodial credit risk as follows:

- Uninsured and Unsecured \$7,504,561

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 6, 2005 through April 27, 2006.

Note 4. Interest Income

The Bullitt County Sheriff earned \$63,150 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder is to be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Bullitt County Sheriff collected \$122,196 of 10% add-on fees allowed by KRS 134.430(3). This amount is to be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Bullitt County Sheriff collected \$6,555 of advertising costs and \$1,395 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees are to be used to operate the Sheriff's office.

Note 7. Tax Escrow Account

The 2002 escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts from collection of 2002 taxes in an interest bearing account. The beginning balance on January 1, 2005, was \$5,093. Deposits for the period were \$112. Disbursements were \$149. The ending balance as of December 31, 2005, was \$5,056.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 27, 2006  
(Continued)

Note 7. Tax Escrow Account (Continued)

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer pursuant to KRS 393.110.

Escheated Escrow Accounts

Unrefunded duplicate payments held in escrow from tax years 1997, 1998, 1999, and 2000 totaling \$16,388 were presumed abandoned in accordance with KRS 393.090 and were turned over to the Kentucky State Treasurer on February 6, 2006.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Bullitt County Sheriff's Settlement - 2005 Taxes as of April 27, 2006, and have issued our report thereon dated August 22, 2006. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's Settlement - 2005 Taxes as of April 27, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 22, 2006

